

**25 JULY 1994**



**Services**

**NONAPPROPRIATED FUND (NAF)  
EMPLOYEE RETIREMENT PLAN**

**COMPLIANCE WITH THIS PUBLICATION IS MANDATORY**

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This instruction implements part of AFR 34-3, *Nonappropriated Funds Personnel Management and Administration*, by showing how to administer the Air Force NAF Employee Retirement Plan. This instruction requires the collection and maintenance of information protected by the Privacy Act of 1974. Authorized by Title 10, United States Code, Section 8013. System of records notice F040 AF NAFI A, Nonappropriated Fund (NAF) Civilian Personnel Records applies.

**SUMMARY OF REVISIONS**

This revision aligns the instruction with AFR 34-3.

**Section A—Enrolling in the Plan**

**1. Counseling Potential Participants.** The Human Resources Office (HRO) must inform employees about the NAF Retirement Plan and its provisions so they can intelligently decide whether to join. The HRO:

- Explains the plan's benefits outlined in the summary plan description (SPD) and answers questions.
- Advises eligible employees of the plan's benefits when they are hired or when they otherwise become eligible.
- Tells former AF NAF employees rehired in a regular employment category within a period of 60 calendar days, who previously participated in the plan, that the interim period may be included in credited service. They must reenroll immediately and redeposit any contributions they withdrew when they terminated employment.
- Gets employees to sign the checklist to confirm that they received the counseling.

**2. Determining Eligibility.** Eligible employees must:

- Be regular civilian employees (not off-duty military employees).
- Work for an AF NAFI in the US. If working outside the US, eligible employees must be US citizens, permanent residents of the US, or non-citizen nationals on the US dollar payroll.

**3. Explaining Accrued Annuity Rights.** A new AF NAF employee who previously worked for another DoD component can carry forward accrued annuity rights (credited service) into the NAF retirement plan if he or she:

- Stopped working for the other component less than 90 calendar days before their rehire as an AF NAF regular employee.
- Participated in the retirement plan of their previous DoD component.
- Did not leave their former employment through retirement.

**3.1. Calculating Benefits.** When an employee who carried over used annuity rights retires from AF NAF service, HQ AFSVA/SVXBR calculates the employee's annuity as if the entire period of combined creditable NAF service were under the AF NAF Retirement Plan. HQ AFSVA/SVXBR then reduces the annuity by the amount payable (assuming full vesting) under the former NAF retirement plan.

**3.2. Advising Eligible Employees.** The HRO must:

- Counsel former DoD NAF employees about retaining credited service benefits.
- Tell them they must enroll in the AF NAF Retirement Plan within 90 calendar days of termination of employment with the other component.
- Complete the appropriate portions of AF Form 2388, Participation Information (AF NAF Retirement Plan), Section I, to reflect participation in the former DoD plan.

**4. Processing Rehired Annuitants.** Retirement annuity payments cease immediately when an annuitant begins working as a regular employee. If you rehire a former employee who receives an annuity, the HRO must:

- Notify HQ AFSVA/SVXBR (10100 Reunion Place, Suite 502, San Antonio TX 78216-4138) immediately.
- Provide HQ AFSVA/SVXBR a copy of AF Form 2545, **NAFI Notification of Personnel Action**, documenting the change in employment category.

**5. Enrolling in the Plan.** An HRO representative:

- Makes sure each employee joining the plan fills out AF Form 2388 (Parts I & V).
- Gives the employee a copy of the summary plan description (SPD).
- Forwards the original AF Form 2388 to HQ AFSVA/SVXBR within 1 week of the effective date of enrollment (the first day of the pay period that follows the signing of the form).
- Puts a copy of the enrollment form in the employee's Official Personnel Folder (OPF).

**6. Waiving Enrollment.** If an employee does not enroll, the HRO:

- Completes AF Form 2388 (Parts I & V) and notes that the employee chose not to enroll. If an employee refuses to sign this form, include an explanation of why the form was not signed.

- Places the waiver in the OPF.

**7. Clarifying Previous Participation Status.** An employee who previously participated in the NAF Retirement Plan must answer all questions on the AF Form 2388 regarding previous participation. If the employee withdrew contributions and does not want to redeposit the withdrawn sums, the HRO must make sure that the employee indicates as much on the form. In such cases, the employee joins the plan as a new participant.

**8. Reinstating Prior Service.** An employee who wants to redeposit withdrawn contributions to reinstate prior AF NAF credit fills in Part II of AF Form 2388. HQ AFSVA/SVXBR tells the employee how much to redeposit. The following guidelines apply:

- Employees must redeposit the specified amount within 180 days of the most recent date of plan eligibility.
- Withdrawals of less than \$2000 are not subject to interest.
- Any interest due is based on the prevailing rate of interest at the time of the redeposit.
- Employees cannot get credit for noncontributory service that took place before 1 January 1976 if they forfeited that credit by voluntarily withdrawing contributions. In this case, redeposits only reinstate credit for prior AF NAF contributory service. When the employee makes the redeposit, HQ AFSVA/SVXBR advises the HRO by letter. The HRO then gives the employee a copy of the redeposit confirmation letter and puts the original in the employee's OPF.

**9. Delaying Enrollment.** Since 1 January 1976, all plan enrollees get credit for service beginning on the effective date of enrollment. An employee who does not enroll when first eligible may enroll later. The effective date of enrollment is the first day of the pay period following signing the enrollment form.

**10. Notifying Payroll.** The HRO notifies payroll of all enrollments using AF Form 2545, NAFI Notification of Personnel Action. Notify payroll before the effective date of enrollment to avoid delays or administrative problems.

### ***Section B—Terminating Plan Participation***

**11. Terminating Eligibility.** When an employee is no longer eligible to participate in the plan, the HRO gives the employee options from which to choose. The choices depend on why the employee is no longer eligible. The HRO:

- Counsels the employee regarding the available options.
- Writes the employee's election on AF Form 2391, **Termination Information (Air Force NAF Retirement Plan)** (Parts I & IV).
- Sends the original AF Form 2391 to HQ AFSVA/SVXBR within 1 week after the employee's termination of eligibility.
- Files a copy in the OPF.

### **12. Employee Options:**

- When employment ends with less than 5 years of credited service, the employee receives a refund of contributions.
- When employment ends with more than 5 years of credited service, the employee may take a refund or a deferred annuity.
- When loss of eligibility results from changing to an ineligible employment category with less than 5 years of credited service, the employee may take a refund or stay in the plan in an inactive status.
- When loss of eligibility results from changing to an ineligible employment category after more than 5 years of credited service, the employee may take a refund or a deferred annuity.

### **13. Refunds and Deferred Annuities.**

**13.1. Getting a Refund.** To process a refund, the HRO fills in and forwards AF Form 2391 to HQ AFSVA/SVXBR.

**13.2. Processing a Deferred Annuity.** To process a deferred annuity request, the HRO documents the employee's high three annual average earnings, using as many copies of AF Form 2545 as required, and forwards them with AF Form 2391, AF Form 1528, **Authorization to Obtain Social Security Earnings Information** (in duplicate), and AF Form 2395, **Evidence of Age (Air Force NAF Retirement Plan)** (with attached supporting documentation) to HQ AFSVA/SVXBR.

**14. Notifying Payroll.** The HRO notifies payroll of all enrollments and changes using AF Form 2545. Notify payroll before the effective date to avoid delays or administrative problems.

### ***Section C—Death in Service***

**15. Notifying Authorities.** When a participating employee dies, the HRO notifies HQ AFSVA/SVXBR. Use AF Form 2391 (Part III A) and include a death certificate from the Board of Health or Registrar of Vital Statistics. Death notification should be within 2 weeks or as soon as the death certificate becomes available.

**16. Surviving Spouse Annuity.** Complete Part III B of AF Form 2391 for an employee with at least 5 years of credited service and an eligible surviving spouse. To be eligible, a surviving spouse must have been married to the deceased employee for at least one year or be the parent of a child of the marriage. Include proof of survivor eligibility, AF Form 1529, **Authorization to Obtain Social Security Earnings Information on a Deceased Individual**, and a copy of AF Form 2545 documenting the death.

**17. Coordinating with Other Programs.** Surviving spouse annuities may be coordinated with Social Security benefits, workers' compensation, or comparable benefits from similar foreign government plans. Note the spouse's eligibility for any of these benefits on AF Form 2391, Part III B. Forward a copy of all such awards to HQ AFSVA/SVXBR with the other documentation. HQ AFSVA/SVXBR determines the annuity benefit payable and contacts the spouse regarding payment options.

**18. Getting a Lump-Sum Payment.** When no eligible surviving spouse exists, the deceased participant's designated beneficiary or beneficiaries receive a lump-sum (equal to the employee's contributions plus interest).

## ***Section D—Retiring***

**19. Notifying in Advance.** Encourage employees to contact the HRO at least 3 months before they plan to retire. Advance notice gives enough time to get documents from Social Security and promptly process the employee's initial annuity payment.

**20. Retiring Normally.** To retire under the plan's "normal retirement" provisions, an employee must be 65 years old. See the SPD for examples of retirement benefit calculations.

### **21. Retiring Early.**

**21.1. Voluntary Early Retirement.** To retire under the plan's "voluntary early retirement" provisions, an employee must meet one of these three sets of criteria:

- Be at least 62 years old with 5 years of credited service.
- Be at least 60 years old with 20 years of credited service.
- Be at least 55 years old with 30 years of credited service.

**21.2. Optional Early Retirement.** To retire under the plan's "optional early retirement" provisions, the employee must be at least 52 years old and have at least 5 years of credited service.

**21.3. Involuntary Retirement.** To retire under the "involuntary retirement" provisions (due to a business-based action), the employee must meet one of these two criteria:

- Have at least 25 years of credited service.
- Be at least 50 years old with 20 years of credited service.

### **22. Special Provisions for Early Retirement Annuities.**

**22.1. Before Age 62.** Annuities (other than for involuntary retirement) received before age 62 are reduced by 4 percent per year for each year retirement preceeds age 62. Annuities are not reduced if an employee delays receiving the annuity until age 62.

**22.2. Before Age 55.** Involuntary retirement annuities that start before age 55 are reduced by 2 percent per year for each year retirement preceeds age 55.

**22.3. Social Security Supplement.** Annuity payments received prior to age 62 include a Social Security supplement which discontinues when the employee reaches age 62 and can receive Social Security benefits.

**23. Delaying Retirement.** To retire under the "delayed retirement" provisions, the employee must be older than age 65. The Social Security benefit used to calculate the annuity payable will be limited to the benefit that would have been payable at age 65.

**24. Getting Social Security Information.** The HRO advises retirement eligible employees to contact the Social Security Administration for retirement benefit information. The required information will depend on the age of the employee on the effective date of retirement.

**24.1. Before Age 62.** If not yet age 62, the employee completes AF Form 1528 (in duplicate) and the HRO forwards it to HQ AFSVA/SVXBR (along with the other required documents). HQ AFSVA/SVXBR requests the information directly from Social Security.

24.2. Age 62 to 65. If at least 62 but less than 66, the employee provides a copy of the actual Social Security award, indicating the income benefit payable based on the employee's age at retirement. An employee who is not applying for Social Security income benefits must get a written estimate of the amount payable, in lieu of the actual award. You normally get these estimates from the local Social Security Administration office within 1 month of the request.

24.3. Age 66 or Older. If 66 or older, the employee must get a statement verifying the benefit amount that Social Security would have paid beginning at age 65 if the employee had applied at that time. You can get these statements from the local Social Security office.

## **25. Filling Out the Retirement Application. The HRO:**

25.1. Helps the employee complete the retirement application, AF Forms 2391 (Part II and signatures) and 2395, and includes:

- Copies of AF Forms 2545 to verify high-three annual earnings.
- AF Form 2545 indicating the effective date of separation for retirement.
- Estimated number of hours of unused sick leave remaining to the employee as of the date of separation.

**NOTE:** Credited service includes unused sick leave. HQ AFSVA/SVXBR contacts the HRO soon after the employee's separation to get the final balance.

25.2. Forwards all documents to HQ AFSVA/SVXBR not later than 30 days before the effective date of retirement. The HRO must meet this deadline to ensure prompt processing of the employee's first annuity payment.

25.3. Places a copy of all documentation in the employee's OPF.

**26. Survivor Annuity Option.** The HRO must counsel employees regarding the option to elect a reduced annuity with payment to continue to a designated survivor upon the employee's death. To consider the survivor annuity option, complete AF Form 2391 (Part II) regarding the survivor. If the survivor is other than a spouse, complete AF Form 2395 for that person.

### **26.1. Options:**

- Married employees may elect a 10 percent annuity reduction with a continuing 55 percent survivor annuity for their spouse.
- For an employee who designates someone other than a spouse to receive the survivor annuity, the plan reduces the employee's annuity actuarially to fund the survivor annuity. The survivor annuity reduction discontinues if all persons named to receive a survivor annuity predecease the retiree.

**26.2. Making Choices.** After HQ AFSVA/SVXBR gets all the documents and notifies the employee of the amount of the annuity benefit and the survivor annuity benefit (if applicable), the employee chooses the form of annuity payment as well as other options.

## ***Section E—Getting Disability Compensation***

**27. Becoming Eligible.** Total and permanent disability is an illness or injury severe enough to prevent working in any gainful occupation relative to the employee's education, training, experience, and eco-

conomic status. These requirements closely parallel those of the Social Security Administration. If a participating employee, with at least 5 years in the plan, becomes ill or is injured so that "total and permanent disability" results, the employee may be eligible for a disability annuity benefit.

**28. Applying for Benefits.** If the disease or injury results in terminating the employee for disability, the HRO advises the employee that he or she may apply to HQ AFMWRSA/MWXB for a disability benefit. HQ AFMWRSA/MWXB provides the employee an estimate of the amount of disability benefit, subject to approving the employee's application.

**29. Preparing the Application.** The HRO helps the employee prepare the benefit application letter, including the employee's:

- Name.
- Social Security number.
- Current mailing address.
- Medical reports supporting the disability.
- Copy of the employee's application to the Social Security Administration for disability income, or if the employee's application was previously adjudicated by Social Security, a copy of their determination.
- Medical reports from legally qualified physicians attesting to reasons for the claimed total and permanent disability.
- Sick leave balance, if any.
- Copies of AF Forms 2545 documenting the employee's high-three annual earnings and terminating employment for disability.

**30. Taking Other Options.** Despite termination for disability, the employee might not meet the conditions for total and permanent disability. Sometimes when the employee qualifies for Social Security disability income (offset against plan benefits), the employee might receive very little or no disability annuity benefit. The HRO advises the employee if he or she may choose a deferred annuity or early retirement.

**31. Continuing Eligibility.** When HQ AFSVA/SVXBR approves a disability annuity benefit, the employee must periodically verify continuing and total disability. The employee must get verification from a physician annually and send it to HQ AFSVA/SVXBR or disability annuity payments will stop.

#### ***Section F—Receiving Benefit Payments.***

**32. Administering Benefit Payments.** The central plan administrators send benefit payments as soon as possible. Prompt payment depends on receiving all documentation to establish eligibility and determine benefits.

**33. Getting Refunds, Annuities, and Death Benefits.** The plan administrators usually process contribution refunds within 1 month after they receive documentation. Retirement and disability annuities are payable on the first day of the month after the participant separates for retirement or disability. Allow

approximately 2 months for receipt of the initial payment. Death benefits are paid as soon as possible, usually no later than 1 month after HQ AFSVA/SVXBR receives all required documentation.

### ***Section G—Handling Various Other Procedures***

**34. Benefit Estimates.** Employees planning retirement may request an estimate of benefits by contacting the HRO. HQ AFSVA/SVXBR provides a computer program to help the HRO estimate annuity benefits.

#### **34.1. Getting a Precise Estimate of Retirement Benefits.**

Retirement eligible employees may request a more precise estimate from HQ AFSVA/SVXBR. The HRO forwards a letter of request, along with the employee's current sick leave balance. If age 62 or over, the employee also provides an estimate of the employee's Social Security award as of the date of anticipated retirement.

#### **34.2. Getting an Estimate of Deferred Annuity Benefits.**

Employees who are eligible for a deferred annuity may request an estimate of the deferred amount payable from HQ AFSVA/SVXBR before deciding whether to take the annuity or a refund of contributions. (See the SPD for additional information concerning benefit formulas and estimating benefit amounts.)

**35. Beneficiary Designation.** An employee must designate a beneficiary or beneficiaries when first enrolling in the plan. A beneficiary receives any lump-sum of contributions and interest payable when a participant dies. The beneficiary may or may not be the same survivor annuitant named at retirement or termination for disability. To change the beneficiary designation, the employee completes AF Form 2388 (Part IV). The HRO forwards the original to HQ AFSVA/SVXBR and files a copy in the employee's OPF.

**36. Taking Leave Without Pay (LWOP).** When an employee has LWOP status for 30 days or longer, the HRO sends a copy of AF Form 2545 to HQ AFSVA/SVXBR, documenting the effective date of LWOP. Terms are:

- LWOP will not exceed 1 year, except for military furlough and absences related to workers' compensation cases where benefit payments are made.
- Credited service (for the retirement plan) may not exceed 5 years for military furlough or 2 years for absences related to workers' compensation cases.
- In all cases, credited service (for the retirement plan) requires the employee to return to Air Force NAFI employment within 90 calendar days after LWOP expires, or the employee is discharged from military service.
- If a regular employee participating in the NAF Retirement Plan receives LWOP to move with head of household and won't return to current employment, the HRO must follow AFI 34-301.



The HRO must get the necessary documentation before the employee leaves and forwards a copy of the AF Form 2545 that documents LWOP to HQ AFSVA/SVXBR.

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